

OFFICES OF THE
STATE AUDITOR OF MISSOURI
JEFFERSON CITY

OFFICE OF THE MAYOR
CITY OF ST. LOUIS, MISSOURI
YEAR ENDED JUNE 30, 1988

MARGARET KELLY, CPA



OFFICE OF THE MAYOR
CITY OF ST. LOUIS, MISSOURI

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STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

(314) 751-4824

Honorable Vincent C. Schoemehl Jr., Mayor
City of St. Louis, Missouri 63103

The State Auditor was petitioned under Section 29.230, RSMo 1966, to perform an audit of the city of St. Louis, Missouri. Accordingly, we have conducted a review of the Office of the Mayor, city of St. Louis. Our review included, but was not limited to, the year ended June 30, 1988. The purposes of our review were to:

1. Study and evaluate the office's system of internal controls.
2. Perform a limited review of certain management practices to determine the efficiency and effectiveness of those practices.
3. Review probable compliance with certain constitutional provisions, statutes, administrative rules, attorney general's opinions, and city ordinances as we deemed necessary or appropriate.
4. Perform a limited review of the integrity and completeness of the office's financial reporting system.
5. Perform procedures we deemed necessary to evaluate petitioner's concerns.

Our review was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the office's financial records, payroll procedures and documents, expenditures, contractual agreements, and other pertinent procedures and documents; interviewed personnel of the Mayor's office; and compiled the information in the appendices from the records and reports of the Mayor's office. The data presented in the appendices were obtained from the city's accounting system. However, they were not verified by us via additional audit procedures and, therefore, we express no opinion on them.

The accompanying History and Organization is presented for informational purposes. This background information was obtained from management and was not subject to the auditing procedures applied by us in our audit.

Our comments on management practices and related areas are presented in the accompanying Management Advisory Report.


Margaret Kelly, CPA
State Auditor

May 15, 1989

HISTORY AND ORGANIZATION

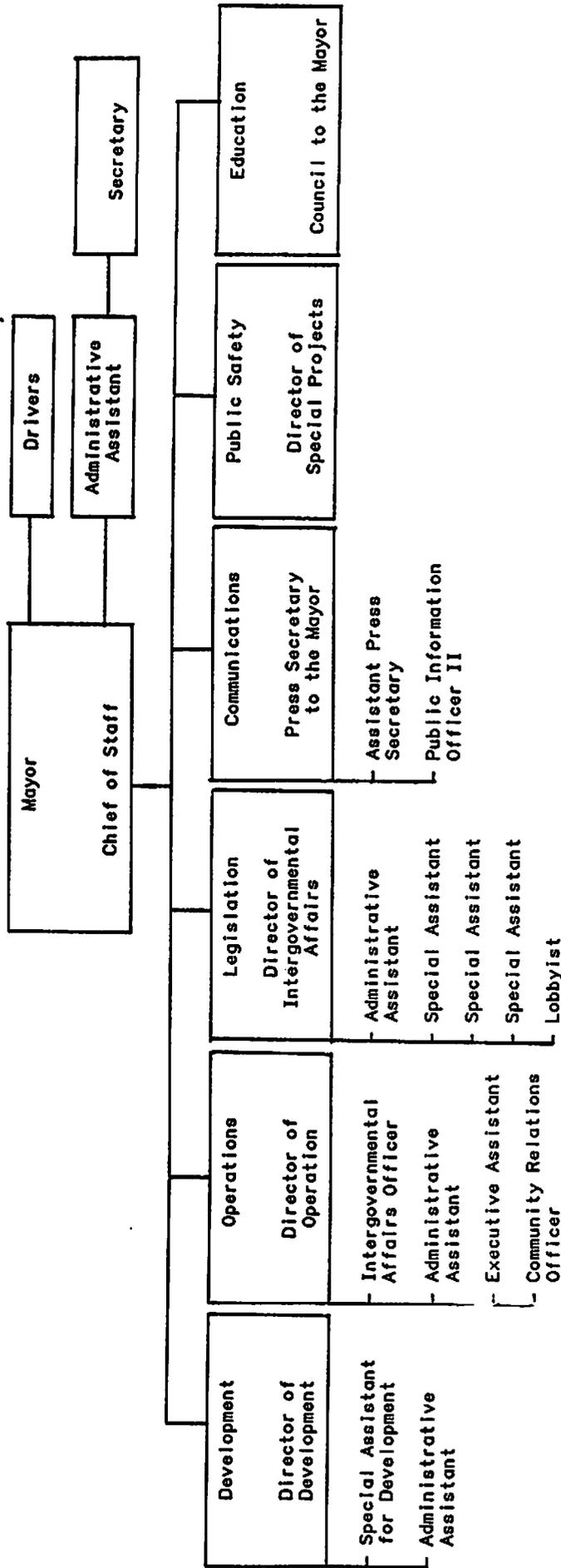
OFFICE OF THE MAYOR
CITY OF ST. LOUIS, MISSOURI
HISTORY AND ORGANIZATION

The mayor is the chief executive officer of the city of St. Louis, responsible for the proper and efficient administration of city government. The Mayor's office is comprised of six sections: Development, Operations, Legislation, Communications, Public Safety, and Education.

Vincent C. Schoemehl Jr., currently serves as Mayor of the city of St. Louis. Mayor Schoemehl began his third term of office April 5, 1989. This term expires April 1993.

At June 30, 1988, the Mayor's office employed approximately twenty-five full-time employees.

OFFICE OF THE MAYOR
 CITY OF ST. LOUIS, MISSOURI
 ORGANIZATION CHART
 JUNE 30, 1988



MANAGEMENT ADVISORY REPORT

OFFICE OF THE MAYOR
CITY OF ST. LOUIS, MISSOURI
SUMMARY OF FINDINGS

1. Mayor's Personal Expenses (pages 9-10)

- A. Approximately \$6,100 in general revenue was spent on the purchase and mailing of the Mayor's 1988 Christmas cards.
- B. During February 1988, approximately \$150 was spent at the Missouri Athletic Club for massages, saunas, locker fees, and food and alcohol.

The expenses noted above would have been more appropriately paid from the Mayor's \$30,000 personal Discretionary Fund.

2. Office Expenditures (pages 10-11)

- A. The Mayor's office has not established a policy addressing lobbying expenses. During our limited review, we identified approximately \$3,700 in questionable lobbying expenses.
- B. The office pays excessively for package deliveries. During the months of September and October 1987, the Mayor's office paid approximately \$1,236 for cab services, primarily related to package deliveries.

3. Payroll and Personnel Policies and Procedures (pages 11-12)

- A. All Mayor's office employees are not required to maintain records of time worked.
- B. The responsibilities of payroll preparation and check distribution are not adequately segregated.

4. Manual Expenditure Ledger (page 12)

The manual expenditure ledger does not contain information relating to payroll expenditures. Further, the ledger is not reconciled to the Comptroller's expenditure reports.

OFFICE OF THE MAYOR
CITY OF ST. LOUIS, MISSOURI
MANAGEMENT ADVISORY REPORT

As part of our review of the Office of the Mayor, city of St. Louis, for the year ended June 30, 1988, we studied and evaluated the internal accounting control system to the extent needed to evaluate the system as required by generally accepted government auditing standards. For the purpose of this report, we have classified the significant internal accounting controls as payroll and expenditures. Our study included each of these control categories. Since the purpose of our study and evaluation was to determine the nature, timing, and extent of our audit procedures, it was more limited than would be needed to express an opinion on the internal accounting control system taken as a whole.

It is management's responsibility to establish and maintain the internal control system. In so doing, management assesses and weighs the expected benefits and related costs of control procedures. The system should provide reasonable, but not absolute, assurance that assets are safeguarded against loss, and that transactions are carried out as authorized by management and are recorded in a manner that will permit the subsequent preparation of reliable and proper financial reports.

Because of the inherent limitations in any internal control system, errors or irregularities may still occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and, thus, might not disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the internal accounting control system of the city taken as a whole. However, our study and evaluation disclosed certain conditions that we believe are material weaknesses and these findings are presented in this report.

We reviewed probable compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. However, our review disclosed certain conditions that may represent noncompliance and these findings are presented in this report.

During our review, we identified certain management practices which we believe could be improved. Our review was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in this report should not be considered as all-inclusive of areas where improvements may be needed.

The State Auditor was petitioned under Section 29.230, RSMo 1986, to audit the city of St. Louis. We included those procedures necessary in our judgment to evaluate the petitioner concerns and those concerns requiring corrective action are addressed in this report.

The period of review for the purposes stated above included, but were not limited to, the period covered by the financial statements for the year ended June 30, 1988.

1. Mayor's Personal Expenses

Our review of office expenditures revealed the following purchases which appeared to be for personal benefit of the Mayor:

- A. Approximately \$6,100 in general revenue, not specifically designated for the Mayor's discretionary use, was spent on the purchase and mailing of the Mayor's 1988 Christmas cards. In addition to the direct cost of purchasing and mailing, in early November all of the administrative secretaries began hand-addressing Christmas cards. The Mayor's staff indicated the mailing of Christmas cards is a tradition. We do not question the policy of the Mayor sending official Christmas greetings to his constituents. However, it does appear questionable for the Mayor to use city general revenue to purchase and mail the cards.
- B. During February 1988, approximately \$150 was spent at the Missouri Athletic Club (MAC) for massages, saunas, locker fees, and food and alcohol. Each of these expenses were directly incurred by the Mayor. Since the Mayor receives an annual honorary MAC membership, we identified no expenses related to member dues. City general revenue should not be used for the Mayor's personal expenses.

As the official representative of the city, the Mayor annually receives \$30,000 to use at his personal discretion. According to the ordinance which established this Discretionary Fund, the Mayor may use these monies for contributions, memberships, gifts, entertainment, and other personal items. It appears the items we have discussed above would have been more appropriately paid from the Mayor's personal Discretionary Fund. Further, because the funds discussed above, as well as the Discretionary Fund, are appropriated from the General Revenue Fund, the Mayor has, in effect, spent in excess of the amount allowed by ordinance for personal expenses.

WE RECOMMEND mayoral expenses of a personal nature be paid from the \$30,000 Discretionary Fund.

AUDITEE'S RESPONSE

- A. For many years preceding the current administration, the Mayor's office, as well as other city agencies, sent holiday greetings. The holiday greetings are not the Mayor's personal Christmas cards, but a nonsectarian greeting on behalf of the city of St. Louis. Each year, the expense is included in the office operating budget request which is approved by the Board of Estimate and Apportionment and Board of Aldermen. The printing request was submitted to the city's Supply Division for processing, and all procedures established by the Supply Division were adhered to.

- B. The personal expenses incurred by the Mayor at the MAC were inadvertently charged to the Mayor's office. The funds have been vouchered from the Mayor's Discretionary Fund, and this finding has been corrected.

2. Office Expenditures

Our review of office expenditures brought to our attention the following concerns:

- A. The Mayor's office has not established a policy addressing lobbying expenses. During our limited review of office expenditures, we identified the following expenses we deemed questionable:

<u>Item Description</u>	<u>Cost</u>
Hotel penalty assessments	\$ 152
Alcoholic beverages	2,851
Valentine's Day gifts for state legislators	578
Plants to state legislators' secretaries	98
Total	<u>\$3,679</u>

The total above represents approximately one-half of the total lobbying expenses incurred during the year ended June 30, 1988. To ensure all lobbying expenses are reasonable and represent the city's best interest, a written policy should be formulated and adopted. The policy should address allowable expenses, the approval process, and expense limitations.

- B. The office pays excessively for package deliveries. During the months of September and October 1987, the Mayor's office paid approximately \$1,236 for cab services. While a portion of the expense related to the transport of city guests and visitors, the major portion of the expense was attributable to package deliveries. Considering the fact the Mayor's office employs an office messenger, the need for outside cab service appears questionable. The office should take into consideration the cost involved with using a cab service for package delivery. Other alternatives should be analyzed.

WE RECOMMEND the Mayor's office:

- A. Formulate and adopt a policy addressing lobbying expenses.
- B. Evaluate alternatives available for package deliveries. Consideration should be given to placing this service on competitive bid.

AUDITEE'S RESPONSE

- A. We concur with the State Auditor's recommendation. The Mayor's office will work with the Comptroller's office to develop a policy that would address allowable lobbying expenses, the approval process and expense limitations.
- B. The use of package deliveries should be directly related to timing requirements of communications. Since the audit, we have added fax machine capabilities and better utilized the in-house messenger service. The Director of Operations will monitor this service to assure cost effectiveness.

3. Payroll and Personnel Policies and Procedures

Our review of the Mayor's office payroll and personnel policies and procedures brought the following concerns to our attention:

- A. Some Mayor's office employees are not required to maintain records of time worked. Inadequate documentation of time worked provides no basis for determining the reasonableness and accuracy of payroll expenditures. Further, during the year ended June 30, 1988, approximately \$200 in overtime payments were made to individuals who maintain no time records. Without time records, the accuracy of these overtime payments cannot be verified. To ensure all payroll expenditures are valid, reasonable, and accurate, records of actual hours worked should be maintained and used as the basis for payroll preparation.
- B. The responsibilities of payroll preparation and check distribution are not adequately segregated. An administrative assistant performed both of these functions during our review. To ensure record-keeping errors are promptly detected and all payroll expenditures are to valid employees of the Mayor's office, the responsibilities of payroll preparation and check distribution should be independently assigned.

The office's total payroll expenditures during the year ended June 30, 1988, were approximately \$1,125,100. To provide better assurance these amounts represent valid claims for bona-fide employees improvements in this area are needed.

WE RECOMMEND:

- A. All employees maintain records of time worked as the basis for preparing payroll requisitions. At a minimum, those employees qualified to earn overtime pay should maintain time records.
- B. The responsibilities of payroll preparation and check distribution be independently assigned, or establish a supervisory review of payroll preparation and distribution of checks.

AUDITEE'S RESPONSE

- A. The Mayor's office will maintain records of time worked for those employees qualified to earn overtime pay.
- B. The responsibilities of payroll preparation and check distribution have been segregated.
- 4. Manual Expenditure Ledger

The Mayor's office processes all payments for goods and services, including personal services, through the Comptroller's office. Monthly, the Comptroller gives the Mayor's office reports of monthly and year-to-date charges against appropriations.

The Mayor's office maintains a manual expenditures ledger. The ledger does not contain any information relating to payroll expenditures. Further, the ledger is not reconciled to the comptroller's expenditure reports. To ensure all amounts charged against their appropriations represent bona-fide Mayor expenditures and appropriation balances are adequate to process payments, it is essential the manual ledger contain complete expenditure information and be reconciled monthly to the Comptroller's reports.

WE RECOMMEND personal services and fringe benefits be included in the expenditure ledger and charges and balances be reconciled with the Comptroller's reports monthly.

AUDITEE'S RESPONSE

The Mayor's office now includes personal services and fringe benefits in the expenditure ledger. Charges and balances are reconciled with the Comptroller's reports monthly.

APPENDICES

Appendix A

OFFICE OF THE MAYOR
 CITY OF ST. LOUIS, MISSOURI
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND
 FOURTEEN MONTHS ENDED JUNE 30, 1988

(U N A U D I T E D)

	Appropriations	Expenditures	Appropriation Balance
PERSONAL SERVICE			
Salaries	\$ 1,046,442	1,010,673	35,769
Fringe benefits	117,021	108,461	8,560
Overtime	8,894	5,944	2,950
Total Personal Service	1,172,357	1,125,078	47,279
EXPENSE AND EQUIPMENT			
Office supplies	9,500	7,446	2,054
Postage	9,904	9,833	71
Office services	11,938	14,369	(2,431)
Mileage reimbursement	4,883	3,463	1,420
Repair to office and other operating equipment	1,000	889	111
Equipment rental	1,685	-0-	1,685
Miscellaneous contractual services	102,300	95,015	7,285
Contingency	35,000	35,000	-0-
Total Expense and Equipment	176,210	166,015	10,195
Total General Fund	\$ 1,348,567	1,291,093	57,474

Appendix B

OFFICE OF THE MAYOR
CITY OF ST. LOUIS, MISSOURI
COMPARATIVE STATEMENT OF GENERAL FUND EXPENDITURES

(UNAUDITED)

	Year Ended				
	June 30, 1988*	April 30,			
		1987	1986	1985	1984
Salaries	\$ 1,010,673	713,576	617,227	551,708	515,964
Fringe benefits	108,461	110,281	110,293	94,849	47,879
Overtime	5,944	8,420	4,052	5,417	4,819
Office supplies	7,446	7,336	6,761	5,943	5,291
Postage	9,833	5,174	6,957	3,671	5,472
Office services	14,369	11,187	9,607	9,658	16,223
Allowances - car fare	3,463	1,356	2,461	798	1,447
Repairs of office and other operating equipment	889	441	546	952	483
Printing services	-0-	9,717	8,996	4,666	2,930
Miscellaneous contractual services	95,015	48,063	66,364	26,149	28,960
Prior year encumbrance	-0-	221,168	-0-	-0-	-0-
Contingency	35,000	30,000	30,000	30,000	30,000
Total	\$ 1,291,093	1,166,719	863,264	733,811	659,468

* Fourteen months ended June 30, 1988.

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